SMITH

The Trade of the U. S. with the West Coast Countries of S. America

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THE TRADE OF THE U. S. WITH THE WEST COAST COUNTRIES OF S. AMERICA

BY

STANLEY C. SMITH

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE
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THIS IS TO CERTIFY THAT THE THESIS PREPARED UNDER MY SUPERVISION BY

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ENTITLED The Trade of the United States with the West Coast Countries of S. America

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THE TRADE OF THE UNITED STATES WITH THE WEST COAST OF SOUTH AMERICA

The Pacific coast region of South America, comprising the countries of Chile, Bolivia, Peru, Ecuador, and a small part of Colombia, has, with the possible exception of Chile, until recently played an unimportant part in the world's commerce. Under the influence of English and German capital these countries during the last quarter of the ninteenth century began to come into prominence. It was not until 1905, however, that the United States became interested in their development and trade. This interest was manifested by increased exports to these countries and by the sending of special government agents to investigate and report the trade conditions of these countries.

The reason why the United States became interested in the west coast of South America and why she became interested at the time she did can readily be understood by noting the position of these countries and by investigating their trade conditions with the United States. Previous to 1905 the United States was principally an exporter of food stuffs and an importer of manufactured articles and food stuffs. She had new lands waiting for cultivation, new mines waiting for development, new factories being built, new railroads being projected, and new improvements and inventions of all kinds taking place. In short the United States needed all her energy and capital for her own development.

But by approximately 1905 she had reached that stage of development and enterprise when it became necessary to find an outlet for her surplus goods. She was producing more than she could consume, capital could no longer find new fields, and labor was no longer scarce. It was not until then that it became possible to compete with England and Germany in the sale of manufactured goods.

The question of where these new markets should be led to investigations of trade possibilities by both the government and manufacturers. In these investigations it was found that some of her closest neighbors were in the beginning stages of development and their close proximity to the United States made them a very desirable market. These were the west coast countries of South America. We usually think of them as being directly south of San Francisco but in reality they are almost directly south of New York. The direct European route to these countries would be a line passing very close to the eastern coast of the United States and then through the Panama Canal. Thus America is closer to these countries than Europe by almost the distance from New York to Europe or about 2,500 miles.[1] This direct route places the United States in a very favorable position from a geographical standpoint. The longer route through the Straits of Magellan, however, is almost the same distance from both Europe and America. With the opening of the Panama Canal this

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1- Hutchison, Lincoln - Report on the Trade Conditions in Central America and on the West Coast of South America - p. 10.

longer route will probally be used only in Chilean commerce.

But the mere fact that these countries are nearer to the United States than they are to Europe does not necessarily mean that they are worthy of the struggle that is being made by the United States to gain control of their markets. They must possess valuable resources of such nature as can readily and easily be exchanged for the exports of the United States. These west coast countries of South America do in reality possess such products as we ordinarily import and they buy those products we have for export. They are also in an early stage of development and afford plenty of room for new capital and enterprise. At the present time Great Britain and Germany are leaders in their development, but there is still plenty of room for the United States if she will seize the opportunity at once.

Another factor which makes it desirable for the United States to have a market in these countries is that they must from their peculiar conditions furnish a permanent market. None of these countries possess a sufficient amount of the raw materials needed for the manufacture of such articles as we have for sale. They do not possess iron and coal deposits to any great extent; their minerals are principally precious metals which they export; and their production of wheat and cotton is very limited in amount. Unless these conditions can be changed these countries must import textiles, iron and steel products, and other of the products of the temperate zone. It is true that they can raise some of the temperate zone products on the high mountain plateaus

and in a small part of Chile, but it is equally true that they can not raise enough for the entire Pacific coast region. Tropical products such as coffee, cocoa, etc. are the natural products, and it is to their increased production that these countries must look to in the future. Another item to be mentioned is the fact that the inhabitants of these countries with the exception of a part of Chile are, as a rule, wholly unfit for factory work.[1] Until more and different kinds of labor are imported or unless the character of the present people change these countries will probally never accomplish much in manufacturing. The large prosperous population of the United States affords a good market for their metals and tropical agricultural products. This makes it possible to carry on trade directly and not by the triangular system. Because these countries can produce only a limited amount of food stuffs and because they can not easily become manufacturing countries they naturally furnish a permanent market for our manufactured articles and food stuffs and are therefore very desirable countries with which to enter into trade relations.

The Physical Conditions of these Countries as They Affect Trade

The nature and the extent of the commerce of any country is always more or less determined by the physical conditions of that country. This is particularily true of the west coast countries of South America. These countries comprise a narrow

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1- Pepper, Charles M - Report of the Trade Conditions on the West Coast of South America - p. 12.

mountainous coast line running from Cape Horn to the Isthmus of Panama. This strip is over 5000 miles long and about 1000 miles broad at the widest point. It is located at a very disadvantageous position from a commercial standpoint. The principal commercial nations of the world are situated on the Atlantic ocean and they can reach the Pacific coast regions of the New World only by a long and dangerous journey through the Straits of Magellan or by a slow and expensive journey across the Isthmus of Panama. On account of this out of the way position Europe and the United States have until recently neglected these countries. It was not until they were forced to find new markets that they became interested in them. Fortunately for the Pacific coast regions the completion of the Panama Canal will reduce the difficulty of reaching them and will bring the markets of Europe and especially those of the eastern part of the United States much closer to them.

Before taking up trade proper with these countries it will probally be of great value to look more closely into some of the essential physical conditions of these countries as they affect trade.

The entire coast line of these countries is smooth. There are no good openings into the interior, no navigable rivers, and no sheltered nooks from the open sea. It is for this reason that we find no good harbors along the coast. It is true that there are several important harbors, but in fact most of them are very poorly protected from the open sea. On account of the

mountains being so close to the sea the rivers are all short, very rapid and wholly unfit for navigation. An expert engineer[1] who investigated these rivers for possible water power reported that there are many excellent cites. He reported that England, America and Germany have already successfully established power plants and that there are still numerous other openings.

The entire coast region presents a very striking similarity in respect to mountains, coast, harbors, and rivers, but in other respects like climate, people, etc. they are somewhat different.

Chile is a narrow mountainous country extending from Cape Horn half way up the Pacific coast of South America. It is over 3,000 miles long and from 40 to 200 miles wide. The mountains are filled with valuable mineral and coal deposits. According to the census of 1910 Chile had a total population of about 3,500, 000 inhabitants. This Republic can easily be divided into three almost equal parts. The northern one-third is dry and receives very little rainfall. This region contains the famous nitrate fields which is the source of her greatest export. The mountains of this region abound in gold, silver and copper. Agriculture is possible only where the rivers break through the deserts and permit irrigation. The middle one-third has a temperate climate and is much like the central states of the

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1- Kenyon, A.L. - The Power Situation on the West Coast of South America. Bulletin of the Pan American Union, July-Dec. 1911. pp. 722-730.

United States. It contains the bulk of the population and produces much grain in its fertile valleys. Cattle, fruits and wine are also raised in this section. An enormous amount of food is produced but much of it goes to feed the miners of the barren northern section. The people of this section are by far the most energetic and industrious of any of the west coast people. They are building factories, using improved agricultural methods and carrying on more extended commerce than any other of these countries. They have advanced much more rapidly as producers than the people of any other of these South American countries and they carry on by far a larger per capita trade than that of any other section on the west coast. The people resemble more nearly the population of the United States than those of any other part of South America. The southern one-third is mostly a cold sparsely populated forest district. The principal occupations of the people are mining, lumbering and fishing. This region contains a large deposit of iron and a limited amount of coal which is said to be of excellent quality.

Bolivia, on the other hand does not present so prosperous a condition. It is the third largest country in South America having an area of about 729,000 square miles. It lies entirely inland occupying the whole of the broadened plateau of the Andes mountains in the heart of the continent. It is divided into two rather distinct sections. There is the high mountainous plateau in the west and the steep eastern slopes of the Andes. The plateau has a very cold climate and but very little rainfall. The lowlands of the east, however, have with but few exceptions

abundant rainfall and a tropical climate. The plateau is rich in minerals and not very well adapted to agriculture. In the lowlands of the east agriculture is more profitable, but their main products are those obtained from the forests.

Bolivia's closest outlet to the sea is a railroad, 400 miles in length, running through Peru to the harbor of Mollendo. Another important route is the railroad 500 miles long running through the northern part of Chile to Antofagasta. The country is very sparsely populated, the report for 1910 showing an estimate of 2,268,000 people. Less than 15 per cent are whites; the rest being half breeds or Indians[1]. With people of this character one can not expect to find them with a very high degree of economic efficiency. Many of them scarcely touched by civilization do not demand any of the products of the out side world. They have no knowledge of modern comforts and are content with their own simple food stuffs and their own crude weaving.

Bolivia's wealth lies almost wholly in her mineral products found in the western plateau. Silver is the most abundant metal and the mines are very rich. The production of tin is very valuable, equaling nearly one-fourth of the total out put of the world.[2] There are also many copper mines which are successfully operated. Coal, petroleum, bismuth, and other metals are found there but they are as yet undeveloped. The deep valleys between the mountains permit the cultivation of

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1- Hutchinson, Lincoln - Report on the Trade Conditions in Central America and the West Coast of South America. p. 32.
2- Bulletin of Pan American Union Vol. 33. 1911. p. 205.

cereals, potatoes, fruits and other products of the temperate zone in some places, and semi-tropical products in others. Large amounts of rubber are obtained in the north, and cattle are raised in the lowlands of the east. Taken in all, Bolivia has plenty of room for expansion but her inland position will necessarily make her somewhat backward.

The next largest country in South America is Peru. It has an area of 695,700 square miles, being but very little smaller than Bolivia. It lies wholly in the tropics but its climate is not everywhere tropical. The country can easily be divided into three geographical sections. The first section is a narrow belt of lowland lying between the mountains and the sea. This belt is extremely hot and dry, and has no vegetation except where the rivers break through from the Andes. The second section is composed of the highlands or plateaus which have a temperate and sometimes cold climate. Rainfall is plentiful and many of the products of the temperate zone can be raised. The ground is rich in minerals and in many places agriculture can be carried on successfully. The third section is composed of the eastern mountain slopes. It has a tropical climate and an abundant rainfall. The rich soil is covered with tropical trees and other vegetation. The population is very sparse with less than seven to the square mile. The estimate made in 1910 was a total population of 4,610,000. As in the case of Bolivia only about 14 per cent are of white blood. Most of them have a very low degree of civilization and they have very little economic

importance except as possible laborers in the future developement of the industries of the country.

Peru possesses both valuable agricultural products and minerals. By means of irrigation the narrow dry belt along the coast can be made to produce cane sugar, cotton, tobacco, wheat and other agricultural products. Behind this dry strip rise the Andes mountains whose importance is due to their valuable deposits of copper, gold and silver. There is also a little iron, coal and petroleum but they are of a poor grade and are not worked very extensively. The elevated plains of this section produce a limited amount of tropical products such as maise, wheat, barley and potatoes. The eastern slopes of the mountains contain forests which yeild cocoa, caco, rubber, guano, quinine and the fibre for panama hats. The fertile lowlands are well adapted for the culture of tropical plants. The llama besides being a beast of burden furnishes quite a bit of wool but this can never be a valuable source for wool. Coffee can be raised successfully in the eastern lowlands and production can be greatly increased by better means of transportation.[1] A small amount of cereals can be raised but not enough to fill the demand for home consumption. On the other hand enough cattle could easily be raised to feed the present population.

1- Daily Consular Report July 21, 1913.

Ecuador does not show nearly so prosperous a condition as Peru. It is less than one-sixth as large, containing only 116,000 square miles. The population was estimated at 1,500,000 in 1910, only about twelve per cent of which are whites. The people although not all highly civilized are capable of producing greater surpluses for export and of consuming greater imports. Ecuador has a tropical climate, the Equator passing through the northern part. The high mountain plateaus, however, have a temperate climate.

The great natural resource of Ecuador lies in her tropical agricultural products, there being only a limited amount of minerals. Cacoa alone affords about three-fourths of her total exports. Coffee of superior quality can be grown there and the out put can be greatly increased. Panama hats are made by the Indians but it seems as though they can make only a limited amount. It requires a great deal of skill and a keen eyesight, and the Indians work only when they are disposed to do so. The high price of rubber has greatly stimulated the production of this article. Vegetable ivory is produced near the sea shore where it is inexpensive to market it. Cane sugar, tobacco, fruits and other tropical products are raised in Ecuador but they are all consumed at home. The soil, however, will permit of a much greater output. Some cattle are raised for meat but Ecuador as a whole is not well adapted to grazing. The hides, although limited in amount, are very valuable at present as an export. The mines of Ecuador are not very well developed.

There is a little gold washed from the gravel in the northern part and a little extracted from ores in the southeastern part, but unless new discoveries take place they can produce only a small amount. Besides the gold mines several copper mines and petroleum wells have recently been opened. The petroleum is of a very poor quality and is used mostly for fuel.

The small portion of Colombia bordering on the Pacific coast has an area of approximately 50,000 square miles and a population of 400,000. This particular section comprises about ten per cent of the total area and it possesses about the same proportion of the total population of this country.[1] The people are very much like those of Ecuador, or a little less civilized if anything. This section is mostly mountainous, and what little sea coast exists is so hot and damp that the diseases which prevail make it nearly impossible for white men to live there. On this account the sea coast has very little economic importance. The climate on the mountains is more agreeable, being very temperate on the high plateaus. Unlike Ecuador the mountains contain valuable deposits of gold, silver, copper, salt, and coal. The eastern slopes of the mountains produce a good grade of coffee and some rubber, tobacco, ivory nuts, dye woods, and a little sugar, all of which could be much further developed. A limited amount of cacao, rum and wheat can be raised but their production will always be small.

1- Pepper, Charles M.- Report on the Trade Conditions on the West Coast of South America. p. 9.

The physical conditions of a country must always be taken into consideration because of their effect upon the nature of the production and trade of that country. A tropical country does not need such imports as a country with a temperate climate. The exports of such a country must necessarily differ greatly from those of a country with a more moderate climate. A mountainous country can not very well produce many agricultural products. A country with no good harbors can not develope a very important shipping point. A country with a half civilized race with little energy and hustle can never amount to much without the aid of foreignors. The American merchant, in order to establish a good and permanent trade with these countries, must consider all these points. Only a few of them can be mentioned here and these only in a general way.

Recent Progress Within the West Coast Countries of South America that Affect Trade

The previous chapter attempted to show the physical features and natural resources of the Pacific coast region as they exist at the present time. How many new resources will be discovered in the near future is very hard to predict. Without a doubt there are a great many valuable mineral deposits untouched, and many a profitable agricultural product that can be successfully grown in these countries, and a great many new improvements that can be applied to methods of cultivating tropical agricultural products and extracting minerals from ores.
As new mines are further developed deposits of other metals will

probably be found. As foreign countries invest their capital in industries in these countries it will be found that certain products can be grown better than others and that certain articles can be manufactured more successfully than others.

Within the last decade these countries have been making rapid strides forward. Foreign countries such as England, Germany, and recently the United States were not content with the limited trade that these countries were capable of carrying on and so they began to invest their surplus capitals in mining, agriculture, railroads, and other enterprises in these countries. The governments of these countries then became interested and in many cases improved the harbors, built new railroads, put in telegraph lines, and made all kind of other improvements. At the present time the most of these countries are progressing very rapidly, and it is very probable that this progress will continue because of the interest that the leading nations of the world have in them. Let us look into some of the various improvements that are taking place at the present time in these countries.

As would naturally be expected we find that the countries are less prosperous and progressive as we go north from Chile. Probably when the Panama Canal is opened this will not be so marked. At present all of their imports from Europe come by way of the Strait of Magellan. It is no more than natural that Chile should receive the most attention. Besides having the advantage of a good location her nitrate beds have stimulated

her trade and brought foreign capital to her shores at an early date. One of the first necessities of a new country with expanding trade is to open up new fields for distribution of articles and for the collection of exports. There must be some means of getting the products of the mines to the sea coast and of getting provisions to the mines. In other words there must be railroads. Chile being in the most favorable position leads all the other Pacific coast countries in their construction. By 1913 she had twenty short railroads built from the mountains to the sea, several longitudinal roads, and over 1600 miles of road under construction to be completed in three years. There were more than 447 miles built in 1912, and during the year 1913 the government spent nearly $16,000,000 on new roads.[1] There are several electric lines near Santiago, Concepcion, and other places, most of them using electricity from water power. There are numerous other rivers that are available for water power and the United States Capitalists should step in and not let English and European capital get control. The railroads helped to develop the natural resources and soon made it imperative for Chile to improve her harbors and docks. She spent $20,000,000 on her harbor at Valparaiso and smaller sums have been spent on other harbors.[2] As none of the rivers of the west coast countries are of any value for navigation it is of great importance that there be numerous railroads and good harbors.

1- Daily Consular and Trade Report - Jan. 21, 1914.
2- Bulletin of Pan American Union - July-Dec. p.928.

The expansion of the railroads has increased the output of the mines and made them more profitable. In many cases old mines that were neglected are now made profitable by cheaper transportation and improved mining machinery. Foreign capital is becoming more interested in the mines of these countries and consequently the latest and best machinery is constantly being imported. The Chilean government has taken definite steps to find a way of producing nitrate cheaper,and in many cases has given financial aid to individuals in the opening up of other mines.[1] Coal which is found in southern Chile is said to be inferior in quality but the report of an English expert says that it is but slightly inferior to the best English coal and that it is good for iron smelting.[2] This shows that there must be a great deal of hidden wealth in these countries. If Chile, the farthest advanced of any of these countries contains undiscovered wealth, what is there in the more backward countries?

Manufacturing also received a great stimulus by the construction of railroads. Although the manufactures of Chile are more advanced than any other of the South American countries bordering on the Pacific Ocean they are being further developed at the present time. She now possesses iron works, sugar refineries, breweries, gas works, wagon

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1- Bulletin of Pan American Union Jul.-Dec. 1912. p. 435.
2- Bulletin of Pan American Union Vol.32. p. 684.

works, tanneries, etc. Of course none of these are very highly developed, but they are gradually being improved. An automobile manufacture has recently been started in Santiago, and a modern railroad shop and yards are now under construction.[1]

Commerce of any appreciable size can not well be carried on without some sort of communication. To meet this demand Chile has gone farther than any other of the west coast countries. She has numerous telegraph and telephone lines. The recent reports are all full of accounts of new wireless stations, and at present practically every port and large city in Chile has one of these stations. The mail service has recently been greatly improved. More and faster mail steamers ply between this Republic and the leading nations of the world, including Japan and China.

Bolivian progress has not been nearly so marked as that of Chile. Yet one can easily see the same recent progress that took place in Chile manifested in Bolivia. Within the last decade 750 miles of railroad have been built besides the three lines through Chile and Peru to the Pacific and one line into Argentine which connects with the Atlantic. There are also several lines under construction within the country itself and several more projected lines as an outlet through other countries. The rivers of Bolivia are very shallow and rapid so it is very desirable that she build railroads. And since she has no ocean front she must depend wholly upon them. Only a start has been

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1-Bulletin of Pan American Union Aug. 1913.

made in railroad building, however. It is true that the few roads are very important and influential, but there are not enough as yet to bring about a high degree of efficiency and development of Bolivian industries.

The new railroads have exerted their influence on industry and enterprise. By means of the improved transportation facilities some of the old neglected mines are being operated profitably at the present time. New railroads are projected in to other mining districts where that industry can be carried on very profitably. Better and improved methods of getting the ores and of extracting the metals from them are continually being adopted. Although mining is not highly developed it is constantly becoming more systematic and the output is continually increasing. In 1910 Bolivia produced one-fourth of the world's output of tin, and the prospects point to a much higher proportion. Mining of all kinds is being carried on more extensively every year under the influence of foreign capital. It is estimated that Chile has about $12,500,000 invested in the mines of Bolivia.[1] This country offers a very broad field for the expansion and development of the mining industry.

Bolivia is still very backward in agriculture because of the slow and expensive means of transportation and the present impossibility of building railroads in every small valley.

1- Bulletin of Pan American Union July-Dec. 1912. p. 1304.

The valleys that can be cultivated are deep and hard to reach by railroads and they are usually very small in area. The present roads are of only a limited benefit to agriculture as they are built principally on the plateaus and in the mining regions. If they could only be built into the agricultural sections as well there is every reason to beleive that agriculture would flourish as well as mining. Manufacturing industries are even more backward than agriculture. There are only a very few small factories within the entire country. During the last few years, however, there have been several factories established, the most important of which is the textile factory at Sucre, established in 1913.[1] The inhabitants make only crude tools and cloth for themselves in a greater part of the country. In communication facilities Bolivia has just about kept pace with her railroads. But this is not very great when we stop and consider that Bolivia is nearly one-fourth as large as the United States and that she possesses only 750 miles of railroads and telegraph lines within her boundary, we can easily comprehend that her facilities must be poor. With only this amount of telegraph lines the greater part of the country must be left without any as 750 miles will not cross the country in the widest place. It is plain that only a few small districts can receive any benefit from them. On the other hand when we consider the fact that practically all of this line has been built in the last ten or twelve

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1- Bulletin of Pan American Union Jan. 1914.

years we can not say that their progress has been slow at all. We can only show that it is in the very begining stage of development. There are only a few hundred telephones in the country and they are nearest the large cities. In addition they have about a dozen wireless stations. By means of rail road connections with the Pacific and Atlantic coasts a fairly good mail service is established with La Paz and a few other minor points.

As a whole improvements in Peru are much more marked than they are in Bolivia, due mainly to her access to the sea. In one important respect, however, Peru is nearly as backward as Bolivia--she has only about 1,000 miles of railroad. This is practically due to the difficulty in railroad construction. Yet in spite of this difficulty she has railroad connections with the upper Amazon river valley. Very recently she has built several electric lines using water power. Peru has only a very few harbors and she is making very large expenditures for their improvement. This is especially true of the harbors of Callao and Mollendo.

Even if railroad construction is rather backward in Peru her industries are being developed very rapidly. Her mining operations are established on a firm footing and their output is increasing every year. Foreign investments are being placed in Peruvian mines and other industries, and they are bringing large returns. This is made possible because most of the railroads are situated along the mining region nearest the coast.

Turning to agriculture we also find a large growth, especially in cotton and sugar. In 1897 the production of cotton was about 190,000 thousand pounds; in 1901 it was about 18,000,000 pounds; and in 1910 about 28,000,000 pounds. Sugar growing has increased a great deal in the dry region along the coast by means of the excellent irrigation systems that are used there. On account of the warm climate sugar can be made from the cane during seven months of the year. The proximity to the shore makes the export of this product comparatively easy. It has recently been shown by experiment that wheat can be grown in this section with very good results.[1] Whether or not it will be raised here is very difficult to say. Another industry that has grown considerably is rubber hunting. The high price of this product has stimulated the search for it to so great an extent that it is feared that within a few years the supply of rubber trees will be exhausted. All of the other agricultural products like cacao, coffee, etc. have greatly increased in their output. Many new methods and improved machines have been introduced into Peru, machines especially designed for the peculiarities of Peruvian soil and climate.

Peru, although her manufacturing industries are but little developed, ranks next to Chile as a manufacturing country among the South American Republics on the Pacific coast. She has a few cotton and woolen mills at Lima and

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[1] Bulletin of Pan American Union, March 1914.

other towns which consume part of the raw wool and cotton in the production of a very poor cloth. Callao has match, soap and other minor factories; Lima makes beer and artificial ice; and several towns make boots and shoes. The Indians make Panama hats to the amount of $50,000 a year. That the industries of Peru are rapidly growing can be easily seen by the fact that she buys annually from three to four million dollars worth of building material. This development is not advanced very far at the present time but it is progressing so rapidly that it marks a distinctively progressive period.

In the matter of communication facilities Peru has made rapid progress within the last ten or twelve years. A great many telegraph and telephone lines have been built between the most important cities and within the last few years wireless stations have been built at all the principal cities. By means of the ships which she has recently put afloat she has established the best mail service of any of the Pacific coast countries. With the opening of the Panama Canal Peru will probally become one of the greatest nations on the continent.

Ecuador and Colombia are the most backward of any of the South American countries under consideration. Ecuador is more densely populated than any other of these countries[1] having about thirteen inhabitants to the square mile. Chile comes next with

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1- Pepper, Charles M.- Report on Trade Conditions on the West Coast of South America. p. 9.

9.85; Peru 6.62; and finally Bolivia with 3.2 per square mile. From the comparison one would be led to think that Ecuador was one of the leading countries. That this is not true is due to the character of her people, and the position of the country itself. A very large proportion of her inhabitants are Indians and mixed breeds who do not contribute much to civilization. Only about twelve per cent are whites. But even with this class of people they are capable of producing and consuming more than they do at the present time. What has been said of Ecuador applies equally as well to the small portion of Colombia bordering on the Pacific. The population is of about the same character, a little less advanced if anything. The reason for their backwardness can probally be explained mainly by the fact that they are situated so far from the world's markets. A loaded ship sailing up the west coast would be anxious to unload its cargo as soon as possible, reload with their products, and then return to the Atlantic. At least there would be a natural tendency to buy the products of Peru rather than go several hundred miles farther to buy the products of Ecuador. Of course this is only one of the many causes contributing to their backwardness but it is one of the most important.

On account of this out of the way position and small foreign trade, Ecuador and the small part of Colombia have very few railroads. Ecuador has, however, within the last few years made rapid progress in railroad construction. The first rail road was built from Guayaquil to the capital in 1913 by

American capital. Several other railroads are now being projected and a few short lines are under construction, in all about 500 miles. The fact that both Ecuador and Colombia market their products mostly on mule trains shows that their commercial importance must be very slight.

Colombia as a whole can avail herself of much more river navigation than any other of the west coast countries. But all these streams empty into the Caribbean Sea and leave the Pacific coast as destitute as any of the other countries. It is very difficult to reach the Pacific coast from the mountain plateaus. It is for this reason that a very small amount of her trade is carried on through the Pacific coast. Ecuador, however, makes use of a very few short rivers to get her products to the sea. They are very short and traveling is very dangerous. In the matter of harbors Ecuador has the best natural harbor in Guayaquil of any of the west coast countries. It is projected from the sea and permits an easy place to unload cargoes. The government of Ecuador is planning to spend money on this port in the hope of attracting much more trade. Besides this one port the coast of Ecuador is similar to the steep although smooth coast line of Colombia.

Without any material development of transportation facilities one can not look for any great improvements in the industries of that country. With but few exceptions the mining industry is much more backward than it was three hundred years ago. This is more true of Colombia than of Ecuador.

Mining in Colombia is in a very low stage of development; hardly any machinery and modern methods being used at all. Lately there is a tendency to work the iron and coal mines in the south west. Ecuador pays almost as little attention to her mining resources as Colombia. She possesses only a few mines which extract gold from the ore, and a few which wash gold from the gravel. Her copper, silver and petroleum mines are almost wholly undeveloped.

In agriculture we find Ecuador making considerable progress while Colombia is very backward. This difference is due to the fact that only a rugged mountainous district opens on the Pacific coast side. Colombia raises most of her agricultural products for home consumption, exporting only a little coffee and tobacco. Grazing and forest products have not improved very much with the exception of the rubber production. Ecuador is a little more progressive. Her cocoa industry has rapidly developed within the last ten years, and at present it makes up three-fourths of her total exports.[1] An English company is now contemplating making large investments in the cocoa industry of Ecuador. Most of the other agricultural products are consumed at home. A few hides are exported and recently rubber collection is being worked. As soon as railroads can be built in these countries many other products can

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1- Pepper, Charles M.-Report on Trade Conditions on the West Coast of South America. p.9.

be raised and exported. Both Ecuador and Colombia furnish excellent fields for investment and enterprise in agriculture, grazing, forestry, etc.

The manufacturing industries of Colombia and Ecuador are as backward as their agriculture. They are very little developed and are wholly of a local character. The nearest diversion from this is the mills of pig and wrought iron near Bogota. Some of the larger towns make soaps, candles, straw hats, shoes, liquors, tobacco products, etc. wholly for local demands. In Ecuador the panama hat industry is the most important one. For local demands she also possesses a few woolen and cotton mills, saw mills, and chocolate works. Although these factories are small and undeveloped they nevertheless give the neucleus for further advancement in the future.

Colombia and Ecuador are both backward in communication facilities. But this would naturally be expected because of their backwardness in industry and transportation. Without trade and manufacturing industries there is no need of extended telegraph and telephone linesand wireless stations. When the ~~tim~~ time comes, which is probably not very far off, that these countries will make more rapid progfess these defects will all be remedied. The importance of these countries lies largely in their futures, and the question is: "Who is going to win their trade?"

Taking the west coast as a whole we find that, although a great deal of progress has taken place in the southern part, it is almost wholly undeveloped from the standpoint of national industries and commerce. This fact should be heeded by all American capitalists who contemplate making investments in these countries with a view of developing their natural resources. England and Germany are pouring capital into these countries in contemplation of the opening of the Panama Canal. But American capital is as yet very backward in going to these countries.

The Trade of the West Coast Countries of South America with the United States

The previous discussions furnish the basis for our existing and future trade with the west coast countries of South America. It is only through a more or less thorough knowledge of the physical conditions and the material progress of these countries that anyone can intelligently explain the present trade conditions and propose ways of improving them. One must understand what and how much these countries are able to produce, under what condition their production takes place, and how much they are actually producing at the present time. These things should all be taken into consideration because of their influence on the purchasing power of the various countries, the purchasing power being the one determining factor of the amount of foreign trade that can be carried on. But before discussing the amount of foreign trade let us look into the nature and kind of articles dealt in by the

Pacific coast region of South America.

It is obvious that neither these countries, nor any others, could carry on trade with foreign countries without giving something in exchange for the articles they receive. If it is not paid for in produce or services then it must be paid in gold. In considering the kind of trade that these countries deal in the most striking feature is that iron and steel products, textiles, and food stuffs from the Temperate Zones are the principal imports and that mineral and tropical products are the principal articles exchanged for them.[1] We have already seen that as a whole the west coast countries (with the exception of Chile to a limited extent) have but very few national manufacturing industries. We have also seen that these countries can not for a long time to come, if ever, become a home industry region because of the commercial impracticability of assembling the scattered raw materials needed for manufacturing.[2] It is true that the variety of climate, the mines and the forests, furnish the neucleus of domestic manufactures but without new discoveries of iron ore and coal they can never hope to develop to any great extent.

The imported goods of the Pacific coast region are of two classes; namely those to supply the wants of a settled pop-

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1- Pepper, Charles M. Report on Trade Conditions on the West Coast of South America. p. 11.
2- Pepper, Charles M. Report on Trade Conditions on the West Coast of South America. p. 12.

ulation and those for the development enterprises. The first class will naturally increase as the enterprises of the country become more firmly established, while the second class will become smaller as the various enterprises become more perfectly developed. But the physical conditions are such that for an indefinite period in the future development enterprises will be necessary to utilize their natural resources.[1] We have already seen that the great enterprises of these countries are mining and agriculture and that these are the greatest source of their future wealth. Railroads must be built, mines opened up, public improvements must be made, and in many places irrigation must be carried on in order to avail themselves of their resources.

Let us now examine more closely the kind of articles that are exported and imported by these countries. The principal purchasing power of Chile lies in her nitrate deposits, copper, silver, lead, and other mineral products. In years of plenty she has a small amount of cereals which she exports mostly to Peru and the other west coast countries. Her principal agricultural exports, however, are wool, hides, and leather. Chile imports textiles, agricultural implements and machinery, hardware, tools, lumber, coal,,cement, labor saving machinery, railway supplies and materials, electric

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1.Pepper,Charles M. Report on the Trade Conditions on the West Coast of South America, p.10.

machinery, drugs and medicines, plumbing and sanitary supplies.[1] Bolivia exports tin, copper, bismuth, and a few other metals in small amounts from her mines, and some rubber, peruvian bark, vegetable ivory, and a little coffee and cacao from her forests and soil. Peru's buying power is in sugar, cotton, panama hats, alpaca wool, rubber, cacao, cocaine, quinine, copper, gold, and silver. Her mineral exports are increasing rapidly but her agricultural products still form a large part of the exports. Peru's foreign purchases are made up of textiles, manufactures of iron and steel, food stuffs, coal, drugs, cordage, oils, boots and shoes, and various other miscellaneous articles in small amounts. It is very interesting to note at this point that the United States supplies Peru with nearly all such things as sewing machines, typewriters, cash registers, adding machines, phonographs, and certain classes of electrical appliances for which there is surprisingly a considerable demand.[2] The United States is also very strong in agricultural implements and machinery, toys, and chemical exports to this country, and with a little effort there are prospects for American preeminance in other articles. Ecuador and the western part of Colombia deal in practically the same articles as Peru, the only difference being in the

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1. Winning Foreign Markets, Report of the U.S. Dept. of Commerce and Labor, 1908, p.31.
2. Pepper,Charles M.-Report on Trade Conditions on the West Coast of South America. p. 32.

amount of articles which they import and export.

At this point let us consider the total amount of trade with the United States and compare it with the total foreign trade of these various countries. Unfortunately no very accurate statistics can be found along this line. A great many of them are merely estimates while many of the others are based upon entirely different standards. Thus we find that some countries make their reports on the value as expressed by the invoice, others make their report on the dutiable price which is determined by the original value plus insurance, freight charges, interest, and other charges, and still others make their reports upon entirely different bases. In this article there has been no attempt to correct these errors. The figures given by the latest government reports are accurate enough to show the general trend of the amount of trade with each country.

All of the figures show that the trade of each country becomes larger, while the proportion of the trade of the United States to the whole becomes less as we go south from Panama. In other words, the countries with the largest trade have proportionately a smaller amount of trade with the United States than those countries with a smaller amount of trade. To illustrate this, let us consider the trade of several of the countries. In 1912 the total Colombian trade through the ports on the Pacific coast was estimated at about $5,600,000

of which about 42 per cent, or nearly $2,350,000, was with the United States. But as we follow the coast south, we find that in Peru the ratio is smaller. The total trade of that Republic for 1911 amounted $62,500,000; about 26 per cent or $16,000,000 of which was with the United States. When we consider Chilean trade we find that less than 16 per cent of the total trade is with the United States. Of her total trade of $262,000,000 in 1912 the United States had only a little over $41,300,000.

Looking into the statistics a little closer we find, as we would naturally expect, that the competitors of the United States possess proportionately a larger trade in the south than in the north. Comparing the amounts of the imports and exports of these various countries with the United States and her principal competitors we see that the American trade is very backward and does not hold a very high place in the more advanced of these countries.

Thus in 1912 the United States exported goods worth $1,583,000 and imported products from the western part of Colombia to the amount of $761,200. England, on the other hand, exported goods worth $437,600 and imported products to the extent of $783,900. From this comparison we see that America ships over three and one-half times as much to Colombia as Great Britain, but that her imports from that country are slightly lower than those of her competitor. In Ecuador

the proportion of American trade is somewhat less. And when we consider Peru we find the proportion pretty close with the United States in second position. In 1911 the United States only exported goods to the value of $10,188,000 in contrast to $12,000,000 for England. The American imports amounted to $6,070,000, and those of England to $8,358,000. In the Bolivian trade we find that Germany has forged ahead since 1909. In 1912 the German imports from Bolivia were almost twice as large as those of England. The share of the United States in the products of this country only amounted to $1,792,000. In the case of exports to Bolivia, England is by far the leader, with goods valued at $26,112,000. Germany comes next with $4,368,000, and the United States with the small sum of $152,976. This same tendency prevails in the trade with Chile. England leads again in both exports and imports, with Germany second and the United States third. The English exports to Chile for 1912 amounted to $38,600,000; the German, to $33,200,000; and the American, to $16,800,000. In imports the United States makes about the same showing as in exports. The American purchases of Chilean products for the year 1912 amounted to $24,514,000 as compared with $55,102,000 for England, and $28,000,000 for Germany. These figures show distinctly that the United States has not put forth very great efforts to gain trade in the more advanced of these countries. The trade she possesses with these countries is probally the result of the many advantages which she possesses

and not from any energy on her part.

But by studying the amounts of trade over a period of several years, we find that the trade of the United States has become proportionately larger than the increase of the total trade of each of these countries. In 1897 the United States held less than $6,400,000 of the Chilean trade, which was about 7 per cent of the total trade. Since 1897 this percentage has increased steadily, so that by 1912 we find that the United States holds a little less than 16 per cent. Going to the less advanced countries we find the same tendency true. The total trade of Peru for 1906 amounted to nearly $52,000,000, of which the United States held $8,750,000, or a little less than 14 per cent. By 1911 this percentage had increased to 26 per cent of the total trade. What is true of these two countries applies to the other countries as well. In other words, although the absolute amount of our trade with these countries is very small, the proportion to the whole is increasing every year.

By annalyzing the statistics still further we find that as a rule the United States is preeminent in the trade of many such articles as she ships to the west coast countries. Thus the United States leads every nation in the sale of such things as sewing machines, phonographs, telephones, and even in such things as farm machinery. Another interesting thing is that we have very little part in the sale of iron and steel products, textiles and most food stuffs. In the purchase of the products from these countries we do not compare very

favorably in such articles as cocoa, ivory nuts and other tropical products; but in the case of minerals we hold a third place being a close competitor with Germany for second place.

The United States should be preeminent in many more articles than she is at the present time. American goods as a rule have a high reputation in these countries and in many cases it is merely a matter of push. An example of this is shown by a report of our present consul in Bolivia.[1] He reported that several consignments of pumps for the use of mining had been made to that country at various intervals and that they were of a very poor grade and did not give satisfaction at all. He also said that several American pumps were in use and that they gave good satisfaction. This goes to show that if the United States firms would only watch their opportunities the share of the American trade could be preeminent in many more exports to these countries.

Ways of Increasing Our Trade With these Countries.

We have just seen that the United States plays but a very small part in the trade and development of the Pacific coast countries of South America, and now we come to a discussion of the various ways of improving this condition. Of course all of the suggestions can be and are daily applied to our commerce in general; but they have a peculiar significance when

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1- Daily Consular Report Jan. 28, 1914.

applied to the west coast countries. Competition is not very strong in these countries, consequently we find that profits of dealers are very large. We find in most of the reports of the government special agents that the ruling doctrine of the business men in all of the countries except Chile is, "few sales and large profits". Every effort is more liable to yeild large returns in such countries than the same amount of effort would in more developed countries. But this condition of undevelopment will probally not last very long because of the worldwide scramble of the leading nations for new markets. If the United States expects to gain anything in this contest she must use wisdom in selecting her desired markets and then she must put forth every effort to gain control of them. But what must she do to gain these markets and whose place is it to see to it that the proper actions are taken? Should it be the government alone or should it be individual business men and private capitalists, or both? In answer to this question it is plain to be seen that in order to get the maximum efficiency all of them must work in co-operation.

One of the first requirements of a closer relationship and a larger trade with any country is that of good transportation facilities. We have already seen how railroads are developing in the interior and thus opening up the inland to sea coast trade to a much greater extent than before. These railroads have opened up a wider territory which furnishes a

wider market. As the market in these countries increases trade will become larger and more and better facilities will naturally result in order to handle it. To a certain extent, however, the above tendency can be reversed. The establishment of a more regular, direct and rapid means of transportation between the United States and these countries will result absolutely in more trade and relatively in a larger proportion of trade with the United States. In other words, improved steamship service with these countries would greatly increase the amount of our trade with them. It would also gain a larger proportion of our present trade at the expense of the other countries; that is, a great deal of the present trade would go to the United States which now goes to foreign countries.

Let us now briefly consider the efficiency of our present transportation facilities to these countries. Looking at them at the present time we find them in a very bad condition. This is shown by the fact that the quickest way to reach one of the western ports of South America from New York is to go to Europe first and then on to the desired destination. A better service exists between these countries and Japan and the Orient than between them and the United States. We can never hope to make much of a mark in their trade while this is true. We must have service as good as that of Europe and other parts of the world or we can never hope to gain anything. The facilities are even worse by way of Panama. It requires from

22 to 28 days to go from New York to Callao when it should not take over ten days in a speedy vessel. In this route, however, a great deal of time is taken up by quarantine regulations at Panama; but fortunately the United States government has improved the conditions so much that at present the delay is much shorter than formerly. Another factor to be noted along this line is the fact that railroad rates are about 50 per cent higher by way of Panama than they are by way of the Strait of Magellan. There are hopes, however, of soon over coming this obstacle upon the opening of the Panama Canal. When a through water route can be established to the Pacific coast countries there will probally be more regular and an increased number of sailings, better and faster ships, and improved facilities all around. Chile and Peru have tried to remedy their poor facilities by building steam ships of their own, and to a considerable extent they have proved successful.[1] These lines which they have established are wholly the result of inefficiency and the failure of existing lines to provide for the increased commerce. Taking it as a whole, we see that the transportation facilities of the west coast countries are in a very poor condition, yet when we compare them to European conditions we find that they are more favorable to the United States.[2] Except during a few mid-

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1- Pepper, Charles M. Report on the Trade Conditions on the West Coast of South America. p. 57.
2-Hutchinson, Lincoln- Report on Trade Conditions in Central America and on the West Coast of South America. p. 80.

summer months when the Andes passes are open it requires a longer time for delivery of European mails than it does for American by way of Panama. The United States service, however, is not regular and misconnections and quarantine delays make our mails slower than England's. We have hopes that the late subsidy for the carrying of our mails will greatly improve these poor conditions.

The reason for the poor freight facilities is to be found in the fact that the United States does not have large enough exports to these countries to maintain direct and rapid lines. Her commerce does not warrant any better accommodations than she now possesses. But without a doubt if the government could provide improved transportation facilities the amount of our trade with these countries would increase enough to warrant the expenditure for better services.

Before leaving the subject of shipping let us consider the amount of trade that is carried on in American ships and its effect on our commerce. At present practically all of our trade with these countries is carried on in foreign ships.[1] The presence and frequency of a nation's flag in a foreign port has a certain value to the foreign commerce of that nation although not so much as is often awarded to it by some writers.[2]

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1. Trade and Diplomacy Between Latin America and the United States, Bulletin of the Pan American Union, Vol.32, p. 423.
2. Winning Foreign Markets, Report of the U.S. Dept. of Commerce and Labor, p.23.

The daily presence of a nation's flag in a foreign port has a certain advertising effect for that nation in the port, but the amount must be limited more than some writers do. To be more specific, if only the British and German flags are seen in one of the ports of these west coast countries, a dealer who contemplates making foreign purchases will to a certain extent, naturally turn toward England or Germany. This tendency is strong enough in these countries to warrant an encouragement of American shipping for this purpose. When we learn that all of the new proposed steamship lines are either German or English[1] we feel that if there is anything to be gained by possessing our own carrying we must get busy. The United States government has recently taken steps to overcome this difficulty. Last year she adopted the policy of subsidizing fast steamships to carry our mails to all Latin American countries.[2] This is one great step forward but unfortunately the subsidy is so small that the outcome is very doubtful.

Another one of the most important ways of increasing our trade with the Pacific coast region is by a much more thorough study of the markets and their requirements. This is to a large extent the secret of Germany's rapid progress in the commercial world. They study every market in detail and then

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1- Pan American Union July-Dec. 1912. p. 201.
2- Pan American Union Vol. 32. Tariff and Diplomacy Between Latin America and the United States.

fit themselves into its peculiarities. For instance, in one case a few years ago when lavender was the stylish color in the United States a merchant sent a large assignment of lavender colored goods and clothes to one of these South American Republics. When they arrived there he was unable to sell any of them because the people were superstitious and would not wear that color.[1] Had he made a study of the people and their prejudices he would never have made this mistake. Every merchant and manufacturer who contemplates an extension of trade to include the west coast countries should study their necessities, customs, prejudices, and other peculiarities; and they should make and ship only those goods that will agree exactly to their demands.[2] In case of an order from one of these countries, when the exact thing ordered is unobtainable, it should not be blindly substituted by something else even if it should be of a better quality or grade, for it may be utterly worthless to the purchaser. There is one thing certain, if the American dealer hopes to compete with the German dealer his ignorance and indifference in South American markets must be done away with. He should adopt the customs of the South Americans and not expect them to adopt American customs.

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1. Daily Consular Report, March 17,1911.
2. Bulletin of the Pan American Union, Vol.32, pp.340-253, Trade and Diplomacy Between Latin America and the United States.

In addition to the study of the market proper there must be some knowledge of the various routes to these countries and to their various points.[1] In other words, there must be a wider geographical knowledge of these countries and a better understanding of their transportation facilities.than any of our merchants have displayed in the past.

This brings us to another point in our discussion. There must also be a thorough knowledge of the commercial policies of the governments of these various countries. Their tariffs must be well understood and every change should be immediately noted. It is very essential that an American purchaser of cocoa be aware of the fact that Ecuador has an export duty on that product. Nearly everyone of these countries have an export duty on some of their products and every purchaser should know of it before he buys. A shipper to these countries should note every change in import duties. In case of either a higher or lower duty an adjustment must be made that can not result in good without an immediate knowledge of the change. Another important point to consider in this connection is that of duties on samples of traveling salesman. Most of these countries now admit samples free of duty. It is also essential and important that there be a good knowledge of the tariff schedules. We find that Colombia has her

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1- Wright, Mrs. Marie R.-The Old and New Peru. p. 447.

tariff based on metric weights, Chile has the avoirdupois system, Peru has ad valorem duties and so on with each country. Some of them levy the duty on crating, etc., some on wholesale price, and so on. The Customs house regulations should be studied carefully so that the goods can be properly marked. These things are all important but in practice many of them do not need so much emphasis as is given here. An order from Colombia for so many meters of cloth would lead an intelligent exporter to know that the package should be marked in meters. But it is a great deal better for him to understand definitely why he should mark it in the metric system. It is only by a knowledge of the various tariff systems, however, that one can know whether to mark the goods by weight or measurement, and this alone demands a knowledge of the regulations.

A knowledge of what a market needs and how to get the goods there is still of comparatively little importance unless there is some way of letting the market know you have the goods for sale. In all cases advertising will pay if carried on wisely and judiciously.

Large and wealthy firms can send personal traveling agents into these countries to introduce their goods and provide the necessary information for further advertising.

A smaller firm has four alternatives[1]; 1- it may conduct negotiations by correspondence directly; 2- it may get agents of other firms to represent it; 3- it may combine with a number of other small concerns and collectively send a personal representative; or, 4- it may place itself in the hands of a reliable export agent. The personal salesman in addition to his other duties should get a good mailing list. The letters and circulars sent to these prospects should always be written in Spanish and they should be courteous and not terse like the American business letter. The people of these countries are extremely courteous and a brief letter like our business letter would greatly offend them.

After the goods have been introduced by an agent and personal letters have been written to the dealers, the next step is to advertise in the newspapers. This is the best and surest form of advertising. The number of papers in circulation is very small, but the people read every word from beginning to end, including all advertisements. The rates charged are relatively very cheap, especially when contracts are made for a considerable length of time. Lithographs are quite successful in these countries and they must be very gaudy in order to get the best results. Bill boards and posters are sometimes used, but their use is very limited

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1- Pan American Union - South American Trade Hints - Vol. 32. pp. 261-270.

because of stringent municipal regulations.[1] Catalogs and circulars are of little value when sent out at random and they usually result in a dead loss.[1] In any case when circulars are to be sent the exporter should first secure attention by means of a personal letter and then follow up by printed circulars which must always be registered. "While this may seem expensive it is an actual saving because it insures the matter being received and opened.[1]"

The matter of samples is a very valuable one. Sales agents are in the west coast countries from England, France and Italy carrying large lines of samples reinforced by price lists, catalogs, etc. The United States, however, has but very few traveling agents in these countries. Out of sixty-five traveling salesmen visiting the port of Guayaquil during the summer of 1913 only five were from the United States.[2] And this is reported from a port where American trade is said to be very good. This ought to awaken the American exporters if they want to hold their share of trade with these countries. It shows that other nations are making desperate attempts to get the trade of these ports. The United States should keep up with the Europeans in sending commercial travellers, in displaying goods at national expositions, and in establishing branch houses in all important cities. The Germans have gone

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1- Pepper, Charles M. - Report on Trade Conditions on the West Coast of South America. p. 63.
2- Daily Consular Report Oct. 1913.

so far, in Bolivia, as to have agents canvass for orders,[1] and if the Americans want to compete with this they must send agents also or let some wide awake export agency get trade for them. Some of our large concerns like the International Harvester Company could give practical demonstrations of their machinery and profit greatly by it. It is necessary that in the face of such competition as is beginning to take place in the west coast countries, the United States must send a good quality of goods if she expects to compete with other nations. The United States must wake up to these facts if she ever wants to have a market to reach into the Pacific coast countries.

Another vital point to be considered in discussing the ways of improving this South American trade is that of filling orders and carefully packing for transportation. This requires a great deal of information that has been discussed in the first part of this chapter. As has been mentioned before, every order should be filled according to specifications, - no articles should be substituted under any conditions. Another important thing in filling these foreign orders is that they should receive prompt attention. The Americans have a habit of attending to home trade first and neglecting their foreign orders. This practice is constantly being constrasted with that of European countries who always meet promptly the

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1- Daily Consular Report Jan. 28, 1914.

demands of their South American customers. This contrast is used as an argument against buying American goods.

The matter of packing for export is a very old one, and only a few of the cautions and remonstrances will be repeated here.[1] In packing for trade to the Pacific coast countries of South America one must consider the customs regulations of the various countries, the transportation, the unloading, and the inland transportation.[2] In crating the goods, the first thing to consider is the customs regulations. If the duties are levied on gross weights then the goods should be packed and crated with as light a material as will give ample protection to the contents. The next thing to consider is the amount of handling that will take place in transportation. If the box goes to Ecuador by way of Panama then it must be more secure than if it were going on a through ship to Valparaiso. Or if it goes to some minor port where it must be unloaded into liters and towed ashore the boxes must be small enough to be unloaded easily and must be protected from the sprays. The packer should also consider inland transportation. Many of the articles must be transported inland on mules and they should be done up conveniently for such transportation. He must also con-

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1- Pepper, Charles M.- Report on Trade Conditions on the West Coast of South America. pp. 270-273.
2- Clow, South American Trade in the Quarterly Journal of Economics. Oct.- July. 1892-93.

sider the climatic conditions of the country and facilities for keeping the packages out of rain. These countries are mostly tropical and rains come up very quickly and end as quickly. If the goods are on an overland journey they are liable to get watersoaked in case of cloth and food stuffs and mould; or in the case of machinery,etc. to get wet and rust. After these things are duly considered the packer can then proceed to make up the export articles into boxes, packages, etc. This done he must mark the boxes carefully and accurately according to the customs regulations of the country to which they are to be shipped.

After the goods have been packed and shipped the next important thing to consider is their payment. The people of the west coast countries are in the habit of demanding credit for a longer period of time than we are accustomed to give and this often leads to dissatisfaction. They usually want from six to nine months and we want to give from thirty to ninty days. Here again the Americans should adjust themselves to the South American customs and allow longer credit. These people have a high commercial honesty and they very seldom fail to pay their debts.[1]

There is, however, another question which is of greater importance than that of giving or granting credit. This is

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1- Pan American Union Vol.32.

the question of improving the present method of financing our trade with these countries. At present practically all payments between the United States and the west coast countries are made through Europe and mostly through London. We need not go into detail as to the way in which these payments are affected. The reason why the London Exchange is prefered instead of New York is because of its greater security and its more widespread marketability throughout the world. To overcome this disadvantage the United States should establish banking houses in these countries like England, Germany, France, and Italy.[1] It was not until the last few months that the United States was able to remedy this defect because of her banking laws which prohibited branch banks.[2] A law has recently gone into effect which has changed our banking law in such a way as to permit branch banking in foreign countries. It is the working of this law that we must turn our attention to in the future as a possible remedy for the defects in the financing of our foreign trade. It is very probable that our large banks will establish branches in the west coast countries in the near future and thus avoid the commissions to foreign bankers. As yet the law has not been

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1. Kent,F.I., Financing Our Foreign Trade, Annals of the American Accademy of Political and Social Sciences, Vol. 36, p. 31.
2. The National Reserve Act, Section 25.

operated long enough and the banks have hardly adjusted themselves to the extent where they have already established branch banks in these countries but actual progress in this direction is already being made.[1]

We now come to our last suggestion of the ways of improving and increasing our trade with the Pacific coast region of South America. Every person contemplating the establishment of trade relations with these countries should from the very beginning work in co-operation with the various public and private trade promoting institutions. After an order is once placed in these countries there should be a constant and a close watch of every change that takes place. Or in other words their demands should be scientifically studied. This study can be done judiciously only by keeping in close touch with the reports from these countries. Let us now look very briefly into the various ways of obtaining the desired commercial knowledge.

The greatest source is through the daily reports of the consuls. The efficiency of the consular service, although not as good as it might be, has been greatly improved in the last decade. The consuls in these countries, however, are still very poorly paid and their help is necessarily of a poor character. The government should grant better salaries to them and it should provide them with more efficient

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1. Bulletin of the Pan American Union, Jan. 14, 1914, p. 76.

clerks. The consuls should also be allowed to make investigating tours at the expense of the government.[1] Another improvement that has been suggested along the line of giving our commercial information is that of requiring our ambassadors and ministers in these countries to report on all trade opportunities for American manufacturers.[2]

The next best source of information is through the Pan American Union. This association has existed for over twenty-five years but it was not until the last ten years that it has taken a prominent part in our trade with these countries. Not only personal inquiries are answered but all kinds of information are collected, systematically arranged, and published monthly,much of which is not given in the consular reports. Another valuable source of knowledge,especially for an investigation of trade conditions before starting an export business with these countries, is through the reports of special government agents. At various times the government has sent out agents to investigate and report the trade conditions of the Pacific coast countries. Governmental aid to our commerce is also accomplished through the work of

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1. Donalson, Government Assistance to Export Trade, Annals of American Academy of Political and Social Sciences, Jul.-Dec., 1909.
2. Barrett,John, South America- Our Manufacturer's Greatest Opportunity, Annals of American Academy of Political and Social Sciences, Jul.-Dec.,1909.

the various bureaus in our Cabinet, such as the Bureau of Trade Relations, the Consular Bureau, the Bureau of Statistics, the Bureau of Manufactures, and others. Each of them has charge of some phase of our foreign commerce and definite information can usually be received from their reports.

There are also many private trade promoting institutions besides the Pan American Union from which valuable commercial information can be obtained. In the case of these South American countries a great deal of reliable information can be secured from the Philadelphia Commercial Museum. Many of the products of these tropical countries are displayed there and for most purposes our manufacturers can with comparatively little cost tell by visiting a good museum like the Philadelphia Commercial Museum what articles they can profitably buy from them.

It is obvious that these few brief suggestions are of no value unless there is an actual desire on the part of our business men to establish better trade relations with the west coast countries of South America. None of these institutions mentioned are of any value by themselves; their information is of very little value to our trade unless it is used by our merchants and manufacturers. There is plenty of commercial information at the present time and the question of increasing our trade with these countries lies in the rapidity with which our merchants avail themselves of this information.

The Probable Effects of the Panama Canal Upon Our Trade With the West Coast Countries of South America.

The nearing completion of the Panama Canal has brought to the attention of the people of the world the question of its effect upon the trade of all the countries bordering on the Pacific Ocean. The west coast countries of South America are expected to be affected as much if not more than any of the other countries. This is shown by the fact that some of the leading nations of the world like England, France and Germany have already made large investments in these countries in contemplation of the opening of the canal. The United States, however, has been very backward in this movement.

Without a doubt the trade of the west coast countries will be greatly increased by the opening of the canal. In the first place almost all of the American and European freight will go by this new route in order to receive the advantage of a shorter distance. At the present time only about three-fourths of the trade of Guayaquil and about one-half of the trade of Callao goes by way of Panama; and as we go farther south the proportion becomes still smaller. When the canal is opened the great saving in distance, time, etc. will cause the greater part of the trade with these ports to go by the shorter route. Better facilities will be es-

tablished with these countries because their markets will be placed closer to those of Europe and America. A larger per cent of trade will naturally result. The saving of time and distance will decrease the freight charges and in this way make it more profitable to carry on trade with these countries. And not only that, but the goods will arrive in a much better condition. At the present time when freight goes by way of Panama it is unloaded and reloaded so many times that the wear and tear on it is very great. Taken in all the opening of this Canal will greatly benefit the trade of the west coast countries.

The question of how far the canal will affect the trade of the United States with these countries is a very difficult one to answer. It is doubtful whether the trade of the United States will increase proportionately with that of Europe. The fact that American capital is lacking in these countries shows that our interest in them is not as great as that of our competitors. Europe and England are preparing to put forth every effort for increased markets in these countries with the opening of the canal. As they already possess the greater part of this trade they are in a much better position to take advantage of the new opportunities. Nevertheless, if the United States will only awaken to the fact she can compete with these powers successfully because of a number of advantages that she possesses.

In the first place the advantage of distance is proportionately greater to the United States. For example, the distance from New York to Iquique by way of the present route is 9,220 miles, while by way of the Panama Canal it will be only 4,020 miles - a saving of 5,200 miles. On the other hand, the distance from Liverpool to Iquique by the present route is 9,591 miles, and by way of the canal it is 6,591 a saving of only 2,831 miles. By comparing these routes, the United States has an advantage of 2,369 miles over Europe.[1]

As we go north from the coast of Chile we find that the saving in miles becomes proportionately larger to the United States, but as we go south from the canal the saving becomes smaller. The trade along this coast will, therefore, receive a greater stimulus in the northern part than in the south. In other words, it is questionable whether the European trade with Valparaiso can afford to pay the canal tolls in preference to taking a route which is only a little over 2,000 miles longer.

A great saving in time will result. At the present time it requires about two months to make the journey from New York

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1- Annual Report of Director of International Bureau of American Republics - 1907-1908. p. 60.

to Guayaquil by way of Cape Horn, but when the canal is opened this will be reduced to ten or twelve days. In the case of Liverpool it requires about two months by way of Cape Horn and it will take from twenty to twenty-five days by way of Panama. Thus we see that New York has an advantage of from ten to fifteen days over Liverpool. These advantages are far greater than any that Europe possesses.

It is, therefore, only a question of whether or not the United States will awaken in time to gain a better foot hold in the trade of these countries before it is too late. The opening of the Panama Canal is sure to affect the trade of these countries and the United States should make every effort to take advantage of the opportunity which it affords.

Summary and Conclusion

This rapid survey has given us a glimpse into some of the most important conditions within the west coast countries of South America. Or in other words, we have discussed the nature and and amount of our trade with these countries, have offered a few suggestions of means of improving the present conditions, and finally have considered the probable effects of the Panama Canal on our trade with these countries.
We have also seen that these countries are in a progressing stage of development, that our government and private associations furnish ample knowledge concerning these countries, that the United States has certain advantages, and that it is

largely a matter of whether the American business men will seize the opportunity before it is gone too far.

The protective policy of the United States has created the largest home market of any nation in the world. We have already seen that it has been the efforts to fill this home demand that has kept the people out of the west coast countries previous to 1905. The reason why they have not established themselves more firmly since that year is largely due to the restriction of output that has been made possible by the consolidation of nearly all industries into large companies under one management. The combination took place just previous to the time when we reached the point where we were producing more than we could consume. Unfortunately these concerns have usually adopted the policy of regulating their output sc as to meet merely the home demands. Thus the profitableness of this market has caused them to neglect foreign commerce.

The Americans, however, have shown one dominant trait that will undoubtedly gain foreign markets for them whenever the demand becomes more urgent. They usually accomplish anything that they undertake as is shown by the ernormous progress that has been made within the last fifty years. As soon as they find that foreign commerce with these countries is very profitable they will put forth further efforts against which no country can stand. It must be remembered

that most of these large concerns are looking for foreign outlets for their goods but that they have been rather backward in pushing it. Without a doubt the Americans will some day play the largest part in the trade of the west coast countries of any nation in the world. The only question is whether the United States will let England and Germany get ahead of her from the start and in this way make the final struggle more difficult.

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